

ISSUE DATE: December 22, 1997

DOCKET NO. P-551,572/CP-97-128,129,130

ORDER REQUIRING THE FILING OF COST STUDIES AND PROPOSED RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Edward A. Garvey
Joel Jacobs
Marshall Johnson
Gregory Scott
Don Storm

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of an Extended Area Service
Petition among the Exchanges of Gibbon,
Fairfax and Winthrop

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PROCEDURAL HISTORY

On January 27, 1997, customers in the Gibbon, Fairfax, and Winthrop exchanges filed for extended area service (EAS) among the three exchanges. At the time the petitions were filed, US WEST Communications, Inc. (US WEST) served the Gibbon and Fairfax exchanges. Since that time, US WEST sold the exchanges to PTI Communications (PTI), who currently serves the two exchanges. Winthrop Telephone Company (WTC) serves the Winthrop exchange.

Gibbon, Fairfax, and Winthrop form Independent School District # 2365.

On March 14 and 17, 1997, WTC and US WEST, respectively, filed traffic studies.

On April 15, 1997, the Department of Public Service (the Department) filed a report and recommendation. The Department recommended that the Commission deny the petition because the route failed to meet the traffic volume criterion for a successful EAS petition.¹

¹ The Commission's February 23, 1996 Order in Docket No. P-999/CI-94-296 established three criteria for a successful EAS petition: 1) the petitioning exchange is adjacent to the petitioned exchange or local calling area; 2) at least 50 percent of the customers in the petitioned exchange make three or more calls per month to the petitioned exchange or local calling area; and 3) a majority of customers responding to a poll in the petitioning exchange favor the EAS installation.

On April 28, 1997, the governor signed into law the school district EAS statute, Minn. Session Laws (1997), Chapter 59. The law went into effect on April 29, 1997.

On May 23, 1997, the petition sponsor, the Winthrop Economic Development Authority, asked the Commission to continue processing the petition for EAS among the three school district communities--Gibbon, Fairfax, and Winthrop--under the new statute.

On December 9, 1997, the matter came before the Commission for consideration.

FINDINGS AND CONCLUSIONS

I. THE SCHOOL DISTRICT EXTENDED AREA SERVICE LAW

The Minnesota legislature passed the school district EAS legislation “in order to facilitate communication among school district and charter school parents, teachers, students, and school administrators in the geographic region of combined school districts.” Minn. Session Laws (1997), Ch. 59, section 1, subdivision 1. The law allows an organization of customers residing within a combined school district, or the school district administration itself, to petition for EAS among the school district constituent communities.

Under the school district EAS law, the petition must be signed by 15 percent of the customers of each exchange included in the proposed EAS area, or by 600 customers of each exchange, whichever is less.

The law requires the Commission to grant the petition when the following criteria are met:

1. At least ten percent of the customers of each local exchange identified in the petition are also residents of the combined school district.
2. Each local exchange identified in the petition is contiguous to another exchange identified in the petition.
3. A majority of the customers in each of the local exchanges identified in the petition favor extended area service.

Unlike the “traditional” EAS law, the school district EAS law does not require a minimum traffic volume among the exchanges. Neither does the new law require that each petitioning local exchange be adjacent to each local exchange or local calling area with which extended service is sought. Adjacency to another exchange identified in the petition is sufficient.

The school district EAS law requires the Commission to order a traffic study between the exchanges, unless an equally reliable traffic study is presently available. The traffic study will be used in the calculation of costs and proposed EAS rates. Under the law, the costs of providing EAS must be apportioned equally among the exchanges, and among customers in each exchange so that the inter-class rate relationships remain unchanged. The rates must leave affected telephone companies income-neutral.

II. COMMISSION ACTION

The Winthrop Economic Development Authority petition was signed by more than 15 percent of the telephone customers in each exchange included in the petition. The petition conforms to the information requirements found in the school district EAS legislation.

The petition meets the first two criteria for Commission approval under the school district EAS law. First, more than ten percent of the customers in each of the three exchanges are also residents of Independent School District # 2365. Second, Gibbon, Fairfax, and Winthrop are all adjacent to one other.

The Commission will continue processing this petition to determine if it will meet the third statutory criterion: acceptance of the EAS proposal by a majority of the customers in each of the three exchanges. In order to participate in the balloting process, customers must know the additional cost of the proposed EAS service. The Commission will therefore order PTI and WTC to conduct additional traffic studies, if necessary, to calculate costs and proposed rates for school district EAS among Gibbon, Fairfax, and Winthrop.

The law requires that costs must be apportioned “equally among the exchanges.” The Commission will therefore require PTI and WTC to apportion total EAS additives equally among all customers in the proposed calling area. Customers in each of the three exchanges will thus pay approximately the same amount each month for access to the same local calling area. Because the three exchanges differ widely in population², this calculation method avoids the inequitable per/customer apportionment that would result if the total additive were divided equally in three and each exchange apportioned one-third of the total.

ORDER

1. The Commission accepts the petition of the Winthrop Economic Development Authority to process the EAS petition under the school district EAS law. The Commission will consolidate the three petitions under one docket heading:
P-551,572/CP-97-128.

² Gibbon has a population of approximately 710; Fairfax has a population of approximately 1275; Winthrop has a population of approximately 1280.

2. Within 90 days of the date of this Order, PTI and WTC shall conduct additional traffic studies, if necessary, and shall file cost studies and proposed rates for school district EAS among the Gibbon, Fairfax, and Winthrop exchanges, as discussed in the body of this Order.

The cost studies shall provide supporting information as requested by Commission Staff and the Department, and shall be consistent with prior Commission decisions for non-metropolitan area EAS routes, including the use of a stimulation factor of three.

3. Within 60 days of the filing of PTI's and WTC's cost studies and proposed rates, the Department shall file a report and recommendation.
4. Any party who wishes to respond to the Department's report and recommendation may do so within 20 days of its filing.
5. The Commission authorizes its Executive Secretary to vary the above stated deadlines if the Executive Secretary deems a variance necessary.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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